

Personal Income in Metropolitan and Nonmetropolitan Areas

During the 1950's, the mechanization of farming and the rural-to-urban migration caused personal income in nonmetropolitan areas to grow at a much slower rate than in metropolitan areas. In the 1960's, the effects of these two factors abated, and income growth in nonmetropolitan areas accelerated rapidly. Mainly because of this, the nonmetropolitan-metropolitan difference in the rate of growth of personal income has been substantially reduced.

methodology underlying the SMSA income series are outlined in the notes to the accompanying tables. They were discussed at somewhat greater length in the May 1969 SURVEY, and a statement on sources of data and methods of estimating is available on request.

Availability of unpublished data

A large amount of information is now available about local area income by type and by industry of origin. A sample of the detail available is shown on page 36. Comparable tables are available for any SMSA and for most of the 2,630 non-SMSA counties. Also, counties can be grouped in any specified combination. The cost of special tabulations is computed at \$10 per area (SMSA or county) for table 5.00 (on page 36) plus \$1 per area for each of tables 5.01-5.07. Address requests for tabulations to the Regional Economics Division, Office of Business Economics, Washington, D.C. 20230, specifying the area and tables desired. A cost estimate will be issued immediately.

Personal income earned in nonmetropolitan areas grew from 1959 to 1968 at an average annual rate of 6.6 percent, compared to a 6.7 percent growth rate in metropolitan areas. As can be seen in the table below, the near equality in rates of income growth in SMSA's and non-SMSA's in the 1960's contrasts significantly with the experience of the 1950's. From 1950 to 1959, personal income in SMSA's increased 6.5 percent per year—about the same as in the 1959-68 span—but income in non-SMSA's grew at an average rate of only 4.8 percent.

Effect of farm income

The comparatively slow growth of non-SMSA income during the 1950's stemmed from two major interrelated factors. First, personal income derived from farming declined substantially over that span whereas income from all other major industries was scoring good gains. The growth in the service industries was especially rapid. The decline in farm income reflected in large part a rapid increase in mechanization of farm operations and a consequent shrinkage in the share of value added received by labor—self-employed and hired—which is the principal component of personal income.

The weakness of the agricultural sector in the 1950's had an especially large impact on overall income growth in non-SMSA's because farm income accounted for 20 percent of total income in non-SMSA's in 1950, but for only 2 percent in SMSA's. Moreover, the decline in farm income limited the gains in sup-

Average Annual Rates of Change in Personal Income

Region	1950-59		1960-68	
	SMSA's	Non-SMSA's	SMSA's	Non-SMSA's
United States.....	6.5	4.8	6.7	6.6
New England.....	6.6	6.0	6.6	6.5
Midwest.....	6.0	5.8	6.2	6.1
Great Lakes.....	6.9	6.0	6.3	6.4
Plains.....	6.5	2.9	6.3	6.2
Southeast.....	7.6	6.6	7.6	7.6
Southwest.....	7.4	6.9	7.6	6.6
Rocky Mountain.....	8.0	6.3	6.8	6.5
Far West.....	8.3	6.0	7.3	5.9

Note.—Compound annual growth rates from initial to terminal year.

NOTE.—The SMSA estimates were prepared by Kenneth Borkman, Michael Carroll, Vivian Conklin, Francis Dallavalle, Linnea Hazen, Gordon Lester, Mary Olson, Elizabeth Queen, William Reed, Marian Sacks, Victor Sahadechny, and Maurice Schlak.

porting industries such as trade and service; this, in turn, further retarded the rise in total income in non-SMSA's.

The direct effect of the decline in farm income on total income growth in SMSA's and non-SMSA's can be seen by comparing the growth of total and nonfarm earnings in the two types of areas from 1950 to 1959.

Percent Change in Earnings, 1950-59

	SMSA's	Non-SMSA's
Total earnings.....	70	40
Nonfarm earnings.....	78	71

A second factor in the lag of non-SMSA income in the 1950's was the tremendous shift of population from non-SMSA's to SMSA's. This was partly a result of the decline in farm earnings, but also reflected social pressures, greater mobility, and other factors. The population of non-SMSA's rose only 4 percent in the period, while that of SMSA's increased 25 percent. In the Plains, Southeast, and Southwest regions, non-SMSA population was unchanged or down slightly, while in the Rocky Mountain region it rose only 5 percent. This shift of population caused a concomitant shift in most types of nonfarm income, thus further curtailing total income expansion in non-SMSA's.

Differentials narrow in 1960's

There was a substantial narrowing of the metropolitan-nonmetropolitan growth rate differential in the 1959-68 period, as income in non-SMSA's increased much more than that in SMSA's. As in the earlier decade, developments in farm income continued to hold the national rate of income growth in non-SMSA's below that in SMSA's.

However, the effect of farm income behavior was much milder for two reasons. First, although farm income grew far less rapidly than nonfarm income, it did not show an absolute decline as in the earlier period. Secondly, farm income in 1959 was only half as important an income source in non-SMSA's as it had been in 1950.

Another factor helping to close the growth-rate gap between the two types of areas in the 1960's was the faster rate of nonfarm income growth in non-SMSA's than in SMSA's. Earnings derived from manufacturing grew much faster in non-SMSA's than in SMSA's, though this was partly offset by a lag in the trade and service industries. This lag was mainly a reflection of the smaller retail markets for goods and services in non-SMSA's resulting from the slow growth in farm income and population.

The narrowing of SMSA-non-SMSA growth rate differentials in the 1960's was not uniform regionally. In the Southwest, Rocky Mountain, and Far West regions, income growth in non-SMSA's continued to lag significantly; in the other five regions, growth rates in SMSA's and non-SMSA's were about the same.

The largest acceleration in non-SMSA income occurred in the Plains, although the total income growth rate in that region was one of the slowest in the Nation. In the 1950's, income in non-SMSA's in the Plains rose at an average rate less than half that in the region's SMSA's. Growth in non-SMSA's caught up in the 1960's, so that there was virtually no differential. The strengthening of income growth in the region's non-SMSA's was mainly the result of a good recovery in farm income from the unusually depressed conditions of 1959, and a large gain in manufacturing earnings.

Manufacturing and government—both Federal and State and local—

activity helped to eliminate the SMSA-non-SMSA growth rate differential in the Southeast. They contributed also to the large income growth in SMSA's, giving that region the top income growth rate in the Nation.

Per capita income

Postwar economic developments in non-SMSA's had significant effects on changes in per capita income. Non-SMSA's, regardless of geographic location, are generally characterized by lower-than-average incomes. However, for all non-SMSA's combined, there has been improvement in this respect. Despite the very slow growth in their total income during the 1950's, the net outmigration of population brought about a continuing improvement in their relative per capita income. From 61.5 percent of the SMSA average in 1950, per capita income in non-SMSA's climbed to above 64 percent of the SMSA average in 1959. There was a further improvement in the relative income status of the non-SMSA's in the 1960's. By 1968, their average per capita income had risen to more than 67 percent of the SMSA average.

In large measure, the improvement in non-SMSA per capita income reflects the experience of the Southeast. In that region, which accounts for more than 25 percent of all non-SMSA income, per capita income in non-SMSA's moved up significantly in both the 1950's and 1960's. The experience elsewhere was varied. In the Rocky Mountain, Far West, and Midwest regions, per capita incomes in non-SMSA's declined relative to the national average in both decades. In New England and the Great Lakes, they rose somewhat. In the Plains and Southwest, per capita incomes declined relatively in one period and advanced in the other, mainly reflecting the fluctuating fortunes of agriculture.

